

THE FINANCIAL SITUATION.

Midsummer dullness continues upon the Stock Exchange, but in spite of it and although the developments that would naturally affect the course of prices have been conflicting, the tendency has been toward a higher level. The week opened with the Associated Banks showing a further large increase in loans and an unexpected though moderate decrease in the surplus reserves resulting from the increase in the deposits. The Government monthly crop report was also worse than had been expected indicating a yield of corn of about 1,000,000,000 bushels. On the other hand there was the news that the members of the Amalgamated Association of Iron, Steel and Tin Workers at Chicago, at Joliet and at Milwaukee had declined to break their contracts with their employers at the request of President Shaffer and with the view of assisting him and his associates in their efforts to compel the United States Steel Corporation to transfer the control of its business to them.

This situation has since been modified by the decision of the members of the association at Joliet and at Milwaukee to reconsider their action and to join the army of unemployed in their hopeless fight for a vicious and untenable position. Present indications are that a struggle between the United States Steel Corporation and those of its employees who have quit will be a protracted one. It is possible, however, that it may be terminated suddenly by a resort to violence on the part of the strikers, who, according to all accounts, are becoming restive and irritable in various localities where it is becoming plain that they have deprived themselves permanently of the means of support, as, for example, in Milwaukee. This struggle is assuming greater importance every day, not only because of the principle involved, but because of the effect of the outcome upon every industrial enterprise in the country. Not the least important factor in the situation is the effect that the strike has and may have upon the ability of American producers and manufacturers of iron and steel to increase their hold upon foreign markets.

The crop situation has unquestionably changed for the better since the first of the month, when the data upon which the Government report issued on the 10th were collected. Some of the most conservative estimates of the yield of corn have been increased a hundred million bushels or more. As a matter of fact this estimating of crops is largely guess work in which the opinions of various experts, based chiefly upon probabilities, constitute a large element. Upon two points, however, there is no difference of opinion, namely that the total yield of wheat will be unusually large and that the production of cotton will be in the neighborhood of 10,000,000 bales. For these staples a world-wide demand is certain. The shortage of the European crop of wheat is daily becoming more pronounced and simultaneously the outward movement of cereals from this country is exceeding all previous exports.

A somewhat firmer money market last week together with the unfavorable showing by the banks on Saturday has aroused apprehensions in the speculative community of uncomfortably high rates in the near future. It is well that the speculation in stocks should be held in check by this assurance for if professional operators were to succeed in moving up prices at this season of the year they would simply invite a reaction resulting from a lack of public support when they determined to take profits on their holdings. Neither the public nor substantial interests are likely to come into the market on an extensive scale as long as the corn and the cotton crops are in doubt. Moreover many dealers do not care to increase their ventures or make new ones during a season which is usually taken advantage of for rest and recreation.

Regarding the local money market the question may be ventured that it is almost certain to take care of itself. The wheat crop is moving out of the country at the rate of 8,000,000 to 9,000,000 bushels a week, without the disturbance of the balances in this city of banks in the West. A single shipment of \$200,000 in currency to Chicago is the only indication so far of the beginning of the usual fall movement of money to the interior to move the crops. Simultaneously with this transaction it was announced that \$2,500,000 in gold had been shipped from Australia to San Francisco, presumably in payment of European purchases of wheat. It may reasonably be inferred from this shipment that London will, as during the last few years, divert the gold which would naturally come to us from Australia to this country in part payment of its debt balance here on account of breadstuffs and cotton. The most important monetary development last week was the break in foreign exchange. Rates for remittances abroad had been well maintained until about the middle of last week by the covering of loan bills created in various transactions, notably in the exchange of Chicago, Burlington and Quincy stock for the joint bonds of the Great Northern and Northern Pacific railroad companies.

The demand from that source has ceased and according to international bankers it will not be resumed until the autumn is well advanced and then upon moderate scale. In the meantime bills drawn against the continuous heavy shipments of wheat are coming upon the market. Still another source of supply comes from both foreign arbitrage houses and bankers who have begun to buy securities for Europe, principally for London. A part of this buying was doubtless in connection with the last fortnightly settlement on the London Stock Exchange which disclosed a pronounced scarcity of American shares in that market; but in addition to that, Europe is now able to give active expression to its favorable view of American securities by the decided change for the better in all of the principal money markets abroad.

Gold is accumulating in London as shown by the last weekly statement of the Bank of England, both from the interior and from outside sources, notably from India. The Bank of France is literally overflowing with gold. In Germany commercial and industrial liquidation appears to have run its course and in consequence the Imperial Bank of Germany is in a stronger position than for some time past. It is fortunate for them and for us that the changes noted have taken place for in a few weeks the heavy shipments of bonds will be supplemented by the usual autumn outward movement of cotton. With Europe pulling up obligations here for those two staples and for securities and with the foreign money markets now at comparatively low rates it is obvious that anything approaching stringency in this market is impossible as would be promptly transferred to Europe or to the United States.

Apparently all that is needed for this country to resume the career of dominant prosperity and to increase its competition with the manufacturing industries of the Old World is the termination of the stupid war which professional labor agitators are conducting against the trust and steel

industry. If the rank and file of the Amalgamated Association of Iron and Steel Workers would perceive that they are not only sacrificing in their hopeless struggle the wages which they might be drawing, but also impairing the chances of a continuation of the present rates of remuneration, they certainly would abandon President Shaffer and his associates to the fate they deserve and which is certain to overtake them, though at what cost to their followers and to the United States Steel Corporation no one can yet foretell.

G. T. G.

FINANCIAL AND COMMERCIAL.

UNITED STATES AND STATE BONDS.

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